

# 3i – Views on Biodiesel/Renewables



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# Introduction to 3i





To invest in talented, ambitious management and to work in partnership with them to build value.



- A world-leader in private equity and venture capital
- Established for 60 years
- FTSE 100 company valued at €6 billion
- Currently managing over \$12bn across 750+ investments
- Invest over \$2.6bn pa
- Over 500 trade sales and 83 IPOs in the past 5 years
- Over 300 market-facing investment professionals in 25 offices in 14 countries across US, Europe and Asia
- Use sector and geography to deliver value

## Our investment methodology

- Partnership with management
  - We are not operators. 3i is convinced that value growth is best achieved by backing strong management teams
- An involved and proactive investor
  - Focused on investments in a few key strategic sectors where 3i has significant experience;
  - Seek to build and add value to the businesses in which we invest by leveraging our global network of investment managers, industry specialists, and consultants
- Core of value creation plan is driven by strategic and operational growth in EBIT
- Long-term outlook with a flexible policy on exit
  - Committed investor throughout economic cycles

# Active across all funding stages



## Venture capital

Early stage  
Focus on  
technology

Total investments  
of \$2-50 million

\$1.4 billion  
portfolio\*

## Growth capital

A range of  
bespoke solutions

Investments of  
\$10m-\$150  
million

\$3 billion  
portfolio\*

## Buyouts

Smaller & mid-  
market buyouts

Transactions up  
to  
€1 billion

€3.9 billion  
portfolio\*

## Infrastructure

All types of  
infrastructure  
projects

Investments of  
€15m -€100m

€400m portfolio

As at 30 September 2005

\*portfolio value including co-invested funds

An exceptional range of venture capital and private equity solutions



- Largest upstream Oil & Gas private equity investor in Europe
- Over 30 portfolio companies
- Book value €750m
- Investments in UK, Norway, USA, Singapore
- Typically invest €15m – €150m at all funding stages
- Core of our business in upstream – oil service and E&P
- Recent move into gas & power (which includes renewables)
- 41% IRR on oil, gas & power portfolio over last 6 years

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# Gas & Power - Existing/old Portfolio



Company	Activity	Status
Gamesa	Wind power services	Bought 2006
Clarke Energy	Landfillgas to energy	Invested in 1999
Empower	Ops and MTCE – power transmission	Invested in 2004
Wavegen	Wave power	Sold 2005
Ocean Power Delivery	Wave power	Invested in 2002
SFC Smart	Direct methanol fuel cells	Invested in 2000
NNC	Nuclear Services	Sold 2005
Stratagas	CBM	Sold 2004
GWE	CHP	Sold 2004
Solar Manufacture	Solar panels	Sold 2005



- Distributed generation – interested in asset ownership/consolidation
- Waste/biofuel/biomass/biogas to energy
- Service opportunities or niche manufacturers across the whole G&P sector
- Biofuels – creation of integrated player
- Deregulation – will create opportunities across EU in transmission/distribution



## Investment Characteristics



- Favour management team over project
- Materiality (both in investment quantum and returns)
- Robustness (has to be clear path to sustained profitability)
- Normally not single project pure development (ie no binary bets)
- Multiple exit opportunities (ie cant rely on IPO market being open)
- Alignment with management
- Ideally where 3i can add value



## Biodiesel – 3i View



- Pros and cons exist versus bioethanol
- Short/medium term supply shortage means some “local production” opportunities (but market dependent) - longer term will be a commodity market
- Feedstock supply key but can control this in different ways
- Access to customers key
- When commoditised people will have to control more of value chain as value will shift in value chain over time (eg refining margins unsustainable)
- Will be international business but some localised, small scale production opportunities exist
- 2<sup>nd</sup> generation technology winners/timescales not clear
- 2 stages of opportunity (early mover =>consolidator)

- Project finance returns not justified in general (unless supply and offtakes both fixed)
- Huge exposure to commodity prices (feedstock, oil/diesel prices) and subsidies/ legislation (eg RTFO, import tariffs etc)
- Current valuation multiples unsustainable
- Management key

Conclusion – market opportunity exists but needs right (and robust) business model, good entry/exit timing, right management and equity returns.



## Renewables – 3i View



- Maturing market becoming mainstream (as evidenced by wind)
- Increasingly comfortable on investing in subsidy dependent businesses (although cautious on ongoing levels)
- Fewer moving parts (and less risk ?) than some traditional investments (eg coal fired power stations)
- Still very fragmented => consolidation opportunities in areas
- Difficult to take calls on technology
- “Feedstock “ supply key in all areas (eg waste to energy, biofuel to energy)
- Opportunities in development, production and service.
- Speed and scale critical in all



## Q&A





# Thank you

For further information visit our website [www.3i.com](http://www.3i.com)